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Kerr-Addison Gold Mines Limited

(NO PERSONAL LIABILITY)

First Annual Report

1936

For the Year Ending

December 31st, 1936

with Supplementary Report

to June 30th, 1937

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Kerr-Addison Gold Mines Limited

(No Personal Liability)

OFFICERS

President

G. B. WEBSTER

Vice-President

J. H. COLVILLE

Secretary-Treasurer

G. A. CAVIN

Directors

A. H. COCKERAM

F. M. CONNELL

H. S. MUNROE

J. H. COLVILLE

A. DORFMAN

J. H. C. WAITE

G. B. WEBSTER

Consulting Engineers

M. F. FAIRLIE

W. H. EMENS

Mine Manager

W. S. ROW

Head Office: 38 King St. West, Toronto, Ont.

Mine Office: Larder Lake, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY

34 King St. West, Toronto, Ont.

AUDITORS

FRED PAGE HIGGINS & COMPANY

Toronto, Ont.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Directors' Report

July 20th, 1937.

To the Shareholders,

Kerr-Addison Gold Mines Limited.
(No Personal Liability)

Your Directors submit herewith for your consideration the report of the affairs of your Company since its incorporation on April 9th, 1936 to June 30th, 1937 with your Auditors' report thereon. Also appended is the report of your Company's Consulting Engineers.

During the period your Company acquired from Proprietary Mines Limited ten patented mining claims known as the Kerr-Addison and Reddick groups, the consideration being the issue of 1,250,000 fully paid shares of the Capital Stock of your Company. A further sixteen claims were acquired by purchase and option for \$40,461.00 and the issue of 40,000 shares of the Capital Stock of your Company.

The early financing of your Company was carried out through an option given to G. B. Webster who in turn interested a group of mining companies and individuals who took up and paid for the following shares of stock:

500,000 shares in May and June, 1936	at 15c
375,000 shares in December	1936 at 15c
375,000 shares in February	1937 at 15c
999,000 shares in February	1937 at 50c

Subsequently rights were granted to shareholders to purchase one new share at 80c for each three shares held. The allotment on this issue amounted to 1,179,059 shares netting the Company \$943,247.20.

You will note from the financial statement that your Company has on hand \$1,322,251.39, with \$42,343.00 due from subscribers.

Developments at the property are fully covered by the report of your Consulting Engineers, which indicates 439,000 tons developed above the 300 foot horizon averaging \$10.59 per ton uncut and \$6.75 per ton cut, a further 161,000 tons partially developed to a horizon 50 feet below that level, and an additional 400,000 tons is indicated by diamond drilling to a depth of 500 feet. In the opinion of your Directors, there is a sufficiently large body of ore indicated to warrant the immediate construction of a unit of 500 tons daily capacity. This unit is being designed so that additional units may be added at a minimum cost as developments warrant.

This construction work, together with the necessary equipment for a large scale operation, is being proceeded with, and the Company has sufficient funds on hand to complete this programme. It is anticipated that the mine will come into production in April, 1938.

Your Directors desire to express their appreciation of the services rendered by the Manager and his staff.

On Behalf of the Board,

GEORGE B. WEBSTER,

President.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET

As at December 31, 1936

ASSETS

Mining Claims at Cost:

Ten Crown Patent Grant claims situated in the Larder Lake Mining Division, District of Temiskaming, Province of Ontario, Numbers H.S. 164, 165, 166; H.J.B. 28, 29, 30, 31, 32, 33; H.F. 33; acquired at a consideration given therefor of 1,250,000 shares of the capital stock of the company issued as fully paid and non-assessable, and are carried upon the company's books at the value thereof \$1,250,000.00

Six unpatented claims and three patented claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, Numbers H.S. 133, 134, 135; L. 30521, 30522, 30523; L. 31160, 31161, 31162; acquired at a consideration given therefor of \$1,062.75 in cash, and 40,000 shares of the capital stock of the company issued as fully paid and non-assessable, and are carried upon the company's books at the value thereof 41,062.75

\$1,291,062.75

Expenditures to Date:

Buildings	\$	8,666.89	
Plant and Equipment		14,053.51	
Exploration and Development		52,134.51	
Mine Office Expense		2,436.40	
Head Office Expense		1,356.63	
Incorporation and Organization		2,580.75	81,228.69

Cash in Bank 58,098.10

\$1,430,389.54

LIABILITIES

Accounts Payable and Accrued Charges \$ 9,133.54

Capital Stock:

Authorized:

5,000,000 shares of \$1.00 each \$5,000,000.00

Subscribed and Paid Up:

2,165,006 shares \$2,165,006.00

Less: Discount on shares sold 743,750.00 1,421,256.00

\$1,430,389.54

CERTIFICATE

We hereby certify that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the Company's affairs, according to the best of our information and the explanations given to us and as shown by its books. We further certify that all our requirements as auditors have been complied with.

Toronto, March 10, 1937.

FRED PAGE HIGGINS & COMPANY,
Chartered Accountants.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

INTERIM BALANCE SHEET

As at June 30, 1937

ASSETS

Mining Claims at Cost:

Ten Crown Patent Grant claims situated in the Larder Lake Mining Division, District of Temiskaming, Province of Ontario, Numbers H.S. 164, 165, 166; H.J.B. 28, 29, 30, 31, 32, 33; H.F. 33; acquired at a consideration given therefor of 1,250,000 shares of the capital stock of the company issued as fully paid and non-assessable, and carried on the company's books at the par value thereof \$1,250,000.00

Four patented claims and nine unpatented claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, Numbers H.S. 133, 134, 135; H.F. 37; L. 30521, 30522, 30523, 30524, 30525, 31160, 31161, 31162, 27044; acquired at a consideration given therefor of \$5,362.75 in cash, and 40,000 shares of the capital stock of the company issued as fully paid and non-assessable, and carried upon the company's books at a value of 45,362.75

Option on three unpatented claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, Numbers L. 30131, 30132, and 30133

Total Purchase Price \$ 35,098.25

Amount Paid to Date 13,098.25

\$1,308,461.00

Expenditures to Date upon buildings, plant, equipment, exploration and development, including organization and administration expenses

298,120.90

Cash on Hand and in Bank \$1,322,251.39

Stock Subscriptions Receivable 42,343.00

Stores on Hand as per Inventory 5,153.64 1,369,748.03

\$2,976,329.93

LIABILITIES

Unpaid Supply and Equipment Accounts including Accrued Payroll \$ 56,075.73

Capital Stock:

Authorized:

5,000,000 shares of \$1.00 each \$5,000,000.00

Subscribed and Allotted:

4,718,066 shares \$4,718,066.00

Less: Discount on shares sold 1,797,811.80 2,920,254.20

\$2,976,329.93

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Consulting Engineers' Report

The President and Directors,
Kerr-Addison Gold Mines Limited,
Toronto, Ontario.

Dear Sirs:

We beg to submit herewith report covering results of operations from the inception of work in May 1936 to December 31st, 1936. In addition, supplementary development results, up to June 30th, 1937, are outlined.

In this first Company Report, the following general information may be of interest to Shareholders:—

The property is located in the Larder Lake area, in McGarry Township, on the northwest shore of the northeast arm of Larder Lake, three miles west of the Quebec-Ontario provincial boundary. The Nipissing Central Railway passes $1\frac{1}{4}$ miles to the north and the Kirkland Lake-Noranda highway crosses the property.

The ore occurrence is in the form of stockworks of innumerable narrow quartz veins, the orebodies varying in width from a few feet up to one hundred feet. These occur in a band of dolomitic rocks 300 feet to 400 feet wide. The latter rock, originally a sediment, was later folded, sheared and then completely altered to carbonate (dolomite). Still later, fissuring permitted entrance of the solutions carrying the quartz and gold.

The history of the Kerr-Addison and Reddick Mines goes back to 1907, earlier operators having sunk a shaft on the latter to 86 feet, and on the former to 300 feet, but with very limited lateral work. In addition, considerable diamond drilling was done, but records of results in most cases were lost.

In June 1936, the Directors approved of large-scale sampling of the wide ore zone. This was done by driving four adits into the ridge, which forms the outcrop of the orebody, thus giving four complete cross sections at intervals of 400 feet. All material from these tunnels was crushed and sampled in a special plant. Ore sections were indicated in both No. 1 and No. 2 adits. On both of these sections some drifting was done, and closely-spaced horizontal diamond drill holes were used to delimit the ore boundaries at this comparatively shallow horizon. So satisfactory were the results that the Kerr-Addison shaft, located near the westerly limit of the main orebody, was unwatered and the 175 and 300 foot levels resampled. It is odd to relate that practically no ore was in evidence on either level, though orebodies are now known to exist on both sides of the old crosscuts, and in their immediate vicinity.

The Kerr-Addison shaft was re-equipped and development drifts on both levels were driven the footwall of the main orebody. From these drifts diamond drilling, as on the adit level, was used to define the ore boundaries.

The main body thus developed shows the following dimensions, tonnage, grade, etc., on each of the three levels:

Level	Length Feet	Horizontal Width Feet	Tons Per Vertical Foot	Average Assay Uncut	Average Assay Cut
Adit (65 ft.)	536	27.2	1,215	\$ 8.90	\$7.44
175 ft.	390	27.0	877	9.01	6.90
300 ft.	507	78.5	3,317	12.41	6.26

(All assays \$35.00 gold and all assays above \$25.00 cut to \$25.00).

The tonnage developed above the 300 foot horizon totals 439,000 tons, averaging \$10.59 per ton uncut and \$6.75 cut. Diamond drill holes from surface, and raising from 175 foot level to adit level, assure continuity of values between levels.

Four diamond drill holes have been completed, cutting the main orebody at the 500-foot horizon, with the following results:

Hole Number	Horizontal Width Feet	Average Assay Uncut	Average Assay Cut
345	18	\$16.06	\$13.34
	7	64.83	6.49
504	20	11.67	11.67
506	118	39.91	7.48
508	82	5.74	3.95

These holes, spaced at 200 foot intervals, cover a length on strike of 600 feet. While such ore is as yet "indicated" only, the above drilling assures, at the 500 ft. horizon, a continuation of the width and grade of the levels above.

Other "indicated" orebodies to be further developed include one west of the main orebody and extending at least 200 feet west from the Kerr-Addison shaft on the 300 ft. level; another in the foot-wall of the main orebody on the 175 ft. level, with dimensions of 130 ft. length, 18.5 ft. average width, average assay uncut \$15.94, average assay cut \$12.93; another in the vicinity of the Reddick shaft and north of the old underground workings of that shaft. Any of the above may be of major importance.

RESUME OF OPERATIONS TO JUNE 30th, 1937:

The main orebody has been delimited and sampled to the 300 ft. level, and 600,000 tons of ore is developed and partially developed to a horizon 50 feet below that level. An additional 400,000 tons is "indicated", by diamond drilling, to a depth of 500 feet. This will shortly be subject to verification by underground development.

Surface improvements include temporary steel and blacksmith shops, change room, hoist and compressor house, also assay office, office, staff house, bunkhouse and cookery.

Many factors favor unusually low pre-production costs and eventual low operating costs. Among the former may be enumerated the concentrated character of orebody of good width, low transportation costs due to easy accessibility by railroad and highway, ample supply of cheap electrical power, excellent water supply and townsite facilities. Among the factors insuring low operating costs are easy drilling and good breaking character of ore, low pumping costs, easy milling character of ore with fine grinding unnecessary, disposal of tailings by gravity, etc.

In view of the above favorable factors, mining and milling costs will be relatively low and will establish a fine record for this type of ore occurrence.

Plans are being prepared for mine and mill equipment with initial capacity of 500 tons, and eventual capacity of at least 1,000 tons per day. A new production shaft, (No. 3), will be sunk, in its first stage, to 750 feet and equipped with hoists and skips capable of 100 tons hourly capacity.

Deepening of No. 1 shaft is underway to a depth of 750 feet, with levels to be opened at 500 and 700 feet. Underground development will proceed as quickly as possible on these two levels, and sinking of both shafts will be continued beyond 750 feet for the development of lower horizons.

We wish to express our appreciation of the co-operation of the Directors and also of W. S. Row, Resident Manager, and his Staff.

Respectfully submitted,

M. F. FAIRLIE }
W. H. EMENS } Consulting Engineers.

June 30th, 1937.

